

"A man is
great by
deeds, not by
birth"

-Chanakya

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A Dynamic General Equilibrium (DGE) Model of Structural Transformation for India

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ABSTRACT

An immature secondary sector is hampering a sustainable economic development in India. The present study is an attempt to understand the underlying factors causing the unbalanced growth of the Indian economy using a general equilibrium model for a period from 1983 to 2013. The three sector model simulates the output and employment share of the country to compute the labour productivity. The model output of employment share shows that the actual labour share of the secondary sector and the tertiary sector are relatively very less compared to the expected share. The actual labour share of the agriculture sector is much higher compared to the expected labour share of the sector. The labour productivity is computed using the model output on labour and output and then decomposes the productivity growth in to three components using canonical decomposition method (de. Vries et. al., 2015). Finally the three components are used to compute a measure called structural transformation index (Gangopdhyay et. al., 2020) to quantify the extent of structural transformation happened in the economy.

Keywords

Total Factor Productivity — Economic Growth — Sustainable Development — Structural Transformation

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